

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL
MADE WITH CERTAIN FUSIBLE INTERLININGS FROM
SUB-SAHARAN AFRICAN, CARIBBEAN BASIN, AND ANDEAN COUNTRIES**

Investigation No. 332-458-002

March 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-002

Products	Apparel made with certain fusible interlinings
Requesting Parties	Levi Strauss & Co., San Francisco, CA
Date of Commission Report: USTR Public	March 2, 2004 March 2004
Commission Contact	Cynthia Trainor (202-205-3354; cynthia.trainor@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON MARCH 2, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission's analysis indicates that the probable economic effect of granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean beneficiary countries with waistbands of the subject fabrics,¹ regardless of the source of the fabrics, will depend on the extent to which the interlining fabrics made in the United States are substitutable for the interlining fabrics named in the petition. At least one firm asserts that it makes or can make the subject interlining fabrics. If the domestic interlining fabrics are substitutable for the interlining fabrics named in the petition, the proposed preferential treatment could adversely affect U.S. producers of the fabrics and their workers. The proposed preferential treatment could have a negligible adverse effect on U.S. producers of elastomeric fibers and U.S. producers of the apparel and their workers, but could benefit apparel firms that make the garments in eligible countries and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).²

The Commission's advice in this report concerns a petition received by CITA on January 20, 2004, alleging that certain fabrics used in waistbands cannot be supplied by the domestic industry in commercial

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² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of February 9, 2004 (69 F.R. 6003) and the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible AGOA, CBTPA, and Andean countries with waistbands of such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Discussion of the product

The three fabrics named in the petition are patented fusible interlining fabrics used in the construction of waistbands for apparel articles. According to the petition, the fabrics are classified in subheading 5903.90.25 of the Harmonized Tariff Schedule of the United States (HTS), which provides for fabrics of manmade fibers, impregnated, coated, covered, or laminated with plastics other than with poly(vinyl chloride) and polyurethane, not over 70 percent by weight of rubber or plastics. The fabrics comprise (1) a knitted outer-fusible material, (2) a knitted inner- and outer-fusible material with an adhesive (thermoplastic resin) coating applied after a finishing process to remove all shrinkage from the material, and (3) a knitted fusible material used to shape contour waistbands and applied on top of the main fusible layer only as a reinforcement.⁴ Garments containing waistbands of such fabrics, such as pants, shorts, and skirts, are classified primarily in HTS chapter 62 (apparel, not knitted or crocheted). The 2004 general rates of duty on such apparel are 8.2 percent ad valorem for cotton skirts and 16.6 percent ad valorem for men's or women's cotton pants and shorts.

Discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector affected by the proposed preferential treatment are producers of elastomeric fibers, fusible interlining fabrics, and apparel.

U.S. producers of elastomeric fibers used in the production of elastic fabrics for apparel applications include Bayer Polymers LLC, Charleston, SC; Dow Fiber Solutions, Midland, MI; Invista Inc., Wilmington, DE; RadiciSpandex Corp., Fall River, MA; and Unifi Inc., Greensboro, NC. Bayer Polymers produces Dorlastan® elastic fibers for textile applications at its facility in Goose Creek, SC; ***.⁵ Dow Fiber Solutions (a division of The Dow Chemical Co.) produces Dow XLA elastic fiber (lastol) ***.⁶ Invista (formerly DuPont Textiles & Interiors) produces Lycra® elastic fibers.⁷ Invista stated that ***.⁸

³ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

⁴ The petition filed by Levi Strauss & Co. covers a series of interlining fabrics for use in apparel waistbands. Three of the fabrics named in the petition are under consideration in this review; the other fabrics are under review by the Commission in investigation No. 332-458-003. For further information on the interlining fabrics named in the petition, see the two separate notices of CITA, "Request for Public Comments on Commercial Availability Request," *Federal Register*, Jan. 30, 2004 (69 F.R. 4494 and 4495), pp. 4494 and 4495. The interlining fabrics are similar to those named in a petition filed by Levi Strauss in December 2002, for which the Commission provided advice in investigation No. 332-436-006 in January 2003.

⁵ Bayer Polymers LLC, press release, "Bayer Fibers Business to Become Separate Entity; Launches New Name," Jan. 1, 2004, found on its website at <http://www.dorlastan.com>, retrieved Feb. 24, 2004, and *** , telephone interview by Commission staff, Feb. 23, 2004.

⁶ *** , telephone interview by Commission staff, Feb. 25, 2004.

⁷ A sale of Invista to Koch Industries, Inc., Wichita, KS, is pending. Invista, currently a business unit of DuPont, states that it is the world's largest integrated fiber and intermediates company. See Invista press release of Feb. 5, 2004, "Additional Invista Leaders Announced," found on the firm's website at <http://www.invista.com/news>, retrieved Feb. 24, 2004.

⁸ *** , telephone interview by Commission staff, Feb. 23, 2004.

RadiciSpandex produces spandex fibers for narrow fabrics that, in part, are used in apparel waistbands.⁹ The firm stated that ***.¹⁰ Unifi Inc. produces polyester elastic yarns.¹¹ ***.¹²

Concerning fabrics, the Commission received a written submission from Narroflex Inc., which produces elastomeric narrow fabrics at its plant in Stuart, VA.¹³ According to Narroflex, a wholly owned subsidiary of Canadian-based Wentworth Textiles Inc., it employs 257 persons at the Stuart plant and more than 20 persons exclusively in elastomeric fabric design. The firm said it supplies elastomeric narrow fabrics to numerous customers involved in the AGOA, CBTPA, and ATPDEA preference programs. Narroflex stated that the Stuart plant has ***. Narroflex stated that although it has had no direct contact with Levi Strauss, it was contacted by Tag-It Inc., a Delaware company that Narroflex believes is a contractor for Levi Strauss, with certain fabric specifications. Narroflex said it produced several accepted knitted narrow fabric samples for Tag-It ***.

Other U.S. producers of fusible interlining fabrics contacted by Commission staff include QST Industries, Chicago, IL; Precision Custom Coatings, LLC (PCC), Totowa, NJ; and Milliken & Co., Spartanburg, SC. QST Industries stated that ***.¹⁴ ***.¹⁵ ***.¹⁶

With regard to apparel, Commission staff contacted Haggar Clothing Co., Dallas, TX, and Tropical Sportswear International Corp. (TSI), Tampa, FL, which, like Levi Strauss, market dress and casual pants. Haggar produces "comfort fit waist pants . . . featuring a hidden, flexible waistband."¹⁷ ***.¹⁸ According to TSI, which sells pants under such brand-names as Savane® and Farah®, ***.¹⁹

Views of interested parties

The Commission received a written submission in opposition to the petition from Narroflex Inc., which stated that based on its understanding of the interlining fabrics named in the petition, it can produce all of the specified fabrics in a timely manner and in sufficient quantities to satisfy the anticipated demands of Levi Strauss (see earlier discussion for information on Narroflex).

The Commission received a written submission from Dow Fiber Solutions, which expressed concern that the limited nature of the petition could further reduce the ability of textile manufacturers to compete in development of new and innovative garments.²⁰ Dow said it would support the petition provided that the subject fabrics are defined as those containing elastomeric yarns rather than Lycra® yarns, a brand-name yarn of Invista. Dow stated that use of an elastomerics designation, rather than a single market specific brand, will ensure maximum availability and opportunity for U.S. textile manufacturers.

⁹ RadiciSpandex Corp., press release, "Thin is in: New Polyether Elastane from RadiciSpandex Provides the Skinny on Narrow Fabrics," found on its website at <http://www.radicispandex.com>, retrieved Feb. 24, 2004.

¹⁰ *** , telephone interview by Commission staff, Feb. 23, 2004.

¹¹ Information on Unifi's product line is from the firm's website at www.unifi-inc.com, retrieved Feb. 25, 2004.

¹² *** , telephone interview by Commission staff, Feb. 26, 2004.

¹³ C.J. Erickson, Hodgson Russ LLP, New York, NY, counsel to Narroflex Inc., written submission to the Commission, Feb. 23, 2004.

¹⁴ *** , telephone interview by Commission staff, Feb. 23, 2004.

¹⁵ *** , telephone interviews by Commission staff, Feb. 23 and 26, 2004.

¹⁶ *** , telephone interview by Commission staff, Feb. 23, 2004.

¹⁷ See website of Haggar Clothing Co. at <http://haggar.com> for information on the firm's products.

¹⁸ *** , telephone interview by Commission staff, Feb. 23, 2004.

¹⁹ *** , telephone interview by Commission staff, Mar. 1, 2004.

²⁰ Jean K. Aukerman, Senior Brand Manager, Dow Fiber Solutions, a division of The Dow Chemical Co., written submission to the Commission, Feb. 25, 2004.

The Commission received a written submission in support of the petition from the American Apparel & Footwear Association (AAFA), the national trade association for the apparel and footwear industries.²¹ AAFA stated that the proposed preferential treatment will not cause any adverse impact on U.S. apparel companies, most of whom are also engaged in the production of similar clothing overseas for import back into the United States. It stated that the proposed preferences would beneficially impact the U.S. based suppliers of textile materials to Levi Strauss. According to AAFA, because Levi Strauss would be able to produce in the Central American region, the firm will be more likely to use other U.S. fabrics and yarns in the production of the apparel containing waistbands of the subject fabrics. AAFA further stated that if Levi Strauss is instead forced to produce the garments elsewhere, the value of the U.S. content and the export opportunities will diminish.

Probable economic effect advice²²

The Commission's analysis indicates that the probable economic effect of granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible AGOA, CBTPA, and Andean beneficiary countries with waistbands of the subject fabrics, regardless of the source of the fabrics, will depend on the extent to which the interlining fabrics made in the United States are substitutable for the interlining fabrics named in the petition. At least one firm (Narroflex) asserts that it makes or can make the subject interlining fabrics. If the domestic interlining fabrics are substitutable for the interlining fabrics named in the petition, the proposed preferential treatment could adversely affect U.S. producers of the fabrics and their workers. However, time constraints have limited our ability to determine substitutability.

The proposed preferential treatment could have a negligible adverse effect on U.S. producers of elastomeric fibers and U.S. producers of the apparel, and their workers. The proposed preferential treatment could benefit apparel firms that make the garments in eligible countries and their U.S.-based workers. U.S. consumers of the apparel would also benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive market for casual pants, shorts, and skirts.

²¹ Stephen Lamar, Senior Vice President, AAFA, written submission to the Commission, Feb. 10, 2004.

²² The Commission's advice is based on information currently available to the Commission.